NATIONAL COMPANY LAW TRIBUNAL
INDORE BENCH
COURT NO. 1

ITEM No.202
CP(IB)/61(MP)2025

Order under Section 7 IBC

IN THE MATTER OF:

Prakash Chuhardas Khatri V/s Indore Glass House Pvt Ltd **........Applicant**

Coram:

Hon'ble Shri Brajendra Mani Tripathi, Member (J)
Hon'ble Shri Man Mohan Gupta Member (T)

PRONOUNCEMENT OF ORDER
Delivered on 31/07/2026

The case is fixed for pronouncement of the order.

The order is pronounced in open Court *vide* separate sheet.

Sd/-	Sd/-
MAN MOHAN GUPTA **MEMBER (TECHNICAL)**	**BRAJENDRA MANI TRIPATHI** **MEMBER (JUDICIAL)**

Tomar

THE NATIONAL COMPANY LAW TRIBUNAL

INDORE BENCH

CP(IB)/61/MP/2025

(Under Section 7 of the Insolvency and Bankruptcy Code, 2016 read with Rule 4 of the Insolvency and Bankruptcy (Application to Adjudicating Authority) Rules, 2016)

IN THE MATTER OF:

Mr. Prakash Chuhardas Khatri

Karta, M/s. Indore Glass House HUF

Ground, 518-1, Opposite Kalyan Mill Road,

Near Pardeshipura Police Station, Gokuldas Compound,

Sheelnath Camp, Indore, Madhya Pradesh – 452003

...Applicant / Financial Creditor

Versus

M/s. Indore Glass House Private Limited

CIN: U51300MP2019PTC049928

11/7, Piplya Kumar, Indore,

Madhya Pradesh – 452002

E-mail: mohd.zahid.khan007@gmail.com

...Respondent / Corporate Debtor

CORAM:

SHRI BRAJENDRA MANI TRIPATHI, HON'BLE MEMBER (J)

SHRI MAN MOHAN GUPTA, HON'BLE MEMBER (T)

APPEARANCE:

For the Applicant : Mr. Rohit Dubey, Adv.

For the Respondent : Mr. Bharat Nenwani, Adv.

Order delivered: 31.07.2026

JUDGEMENT

1. The present Application has been filed by **Mr. Prakash Chuhardas Khatri**, Karta of M/s. Indore Glass House HUF (hereinafter referred to as the "Applicant" or the "Financial Creditor"), under **Section 7 of the Insolvency and Bankruptcy Code, 2016** (hereinafter referred to as the "Code") read with Rule 4 of the Insolvency and Bankruptcy (Application to Adjudicating Authority) Rules, 2016, seeking initiation of the Corporate Insolvency Resolution Process against **M/s. Indore Glass House Private Limited** (hereinafter referred to as the "Respondent" or the "Corporate Debtor"), on account of an alleged default in repayment of a financial debt of **INR 4,21,66,061/-**, comprising a principal amount of INR 2,85,20,929/- and accrued interest of INR 1,36,45,132/-, computed as on 31.03.2024.

2. As per **Part-I** of the Application, the Financial Creditor is described as Mr. Prakash Chuhardas Khatri, Karta of M/s. Indore Glass House HUF.The address of the Financial Creditor is stated in Part-I as 44, Sikh Mohalla, 512, M.G. Road, Indore, Madhya Pradesh – 452002. The person authorised to submit the Application and to accept service on behalf of the Financial Creditor is stated to be Mr. Prakash Chuhardas Khatri, Karta.

3. As per **Part-II** of the Application, the Corporate Debtor, M/s. Indore Glass House Private Limited, is a company incorporated on **28.10.2019** bearing **CIN U51300MP2019PTC049928**, having its registered office at 11/7, Piplya Kumar, Indore, Madhya Pradesh – 452002. The authorised share capital of the Corporate Debtor is INR 1,00,000/- and the paid-up share capital is INR 1,00,000/-. The Master Data of the Corporate Debtor as available on the portal of the Ministry of Corporate Affairs, annexed as Annexure A-1

4. As per **Part-III** of the Application, the Financial Creditor has proposed the name of **Ms. Chaya Gupta** as the Interim Resolution Professional, having Registration No. IBBI/IPA-002/IP-N00984/2020-2021/13133 (AFA Valid up to 30 June 2027). The written communication dated 12.08.2025, has been placed on record as part of **Annexure A-2.**

5. As per **Part-IV** of the Application, the total amount of debt outstanding as on 31.03.2024 is stated to be INR **4,21,66,061/-,** comprising a principal amount of INR

2,85,20,929/- and accrued interest of INR 1,36,45,132/-. The date of default is stated to be **28.05.2025**, being the date on which the period of fourteen days stipulated in the legal notice dated 14.05.2025 expired.

6. The case set up by the Financial Creditor, in brief, is as follows:

(i) That during the period Financial Year 2020-21 to Financial Year 2023-24, the Financial Creditor advanced monies to the Corporate Debtor by way of an unsecured loan, infused into the bank accounts of the Corporate Debtor at its specific request, for meeting its routine working capital requirements. It is expressly pleaded in the Written Synopsis filed on behalf of the Financial Creditor that the said funds were infused at the specific request of the Corporate Debtor and were payable on demand.

(ii) That the entire amount was infused through banking channels and was received, retained, utilised and acknowledged by the Corporate Debtor without demur or protest.

(iii) That the said financial assistance was chargeable to compounded interest at the rate of 12% per annum as offered by the Corporate Debtor.

(iv) That the Corporate Debtor has acknowledged the receipt of the said amounts and the corresponding financial liability in its audited financial statements for the Financial Years 2022-23 and 2023-24, which are annexed as Annexure A-4.

(v) That a legal notice dated 14.05.2025 was issued to the Corporate Debtor through e-mail and speed post calling upon it to repay the outstanding dues within fourteen days. The said notice was despatched by e-mail on 23.05.2025 and by speed post booked on 23.05.2025, which, as per the India Post tracking record, was delivered to the addressee on 26.05.2025.

(vi) That the Corporate Debtor replied to the said notice vide its reply dated 29.07.2025, whereof the Corporate Debtor acknowledged having taken an unsecured loan of INR 2,85,20,929/-, while disputing the liability to pay interest.

(vii) That in compliance with the order of this Adjudicating Authority dated 29.08.2025, the Financial Creditor filed an Additional Affidavit dated 17.09.2025 placing on record the ledger account maintained in respect of the Corporate Debtor for the period from the first date of disbursal of the loan, being 27.08.2020, up to the date of issue of the legal notice, being 14.05.2025.

7. The Financial Creditor has relied upon the following documents:

i. Statement of the Financial Creditor in respect of the Corporate Debtor **(Annexure A-3)**;

ii. Audited financial statements for the Financial Years 2022-23 and 2023-24 **(Annexure A-4)**;

iii. Legal notice dated 14.05.2025 **(Annexure A-5)**;

iv. Reply of the Corporate Debtor dated 29.07.2025 **(Annexure A-6)**;

v. Statement showing disbursement and accrual of interest **(Annexure A-7)**;

vi. Ledger account filed with the Additional Affidavit dated 17.09.2025.

8. **Submissions of the Respondent/Corporate Debtor:** The Corporate Debtor has filed its Reply dated 06.04.2026 resisting the Application on the following grounds: -

(i) **Defective locus and misjoinder:** The Application is ex facie defective and not maintainable, inasmuch as no Hindu Undivided Family as described in the cause title and pleadings exists in the eyes of law. No deed, declaration or books of account have been placed on record to establish its existence, constitution or legal status, and the failure to implead the correct legal entity strikes at the root of maintainability.

(ii) **Family arrangement:** M/s. Indore Glass House was in fact a sole proprietorship concern of Late Shri Chuhardas Kukreja, father of the Applicant and of Shri Shriram Kukreja, who expired on 31.10.2000 leaving behind a Will dated 15.01.2000 (Annexures R/1 and R/2). Under the said Will the rights pertaining to the control, management and functioning of the business were bequeathed in favour of both his sons in equal measure. Pending formal partition, it was mutually understood that the glass business would be managed by Shri Shriram Kukreja and his family, which subsequently led to the formation of the Respondent Company. The amounts transferred between 2020-21 and 2023-24 were in furtherance of such understanding and were never intended to be treated as a recoverable loan, there being no loan agreement, no terms and no repayment schedule.

(iii) **Absence of financial debt:** The Applicant has failed to establish any financial contract, any stipulation as to interest, any repayment schedule or any commercial effect of borrowing. The allegation of interest at 12% per annum compounded is bald, unsupported by any documentary evidence, and is an afterthought introduced solely to bring the claim within the ambit of Section 5(8). In the Written Submissions it is further contended that of the three ingredients of a financial debt, namely disbursement, consideration for the time value of money and the commercial effect of borrowing, the last has not been established at all; and that the director-shareholders of the Corporate Debtor are themselves coparceners or beneficiaries of the very Hindu Undivided Family which the Applicant purports to represent, so that the transfers are at best inter se movements of funds within the same family and not transactions between parties dealing at arm's length. Reliance has been placed upon *Nikhil Mehta and*

Sons v. AMR Infrastructure Ltd., 2017 SCC OnLine NCLAT 859, *Pioneer Urban Land and Infrastructure Ltd. v. Union of India*, (2019) 8 SCC 416 and *Anuj Jain, Interim Resolution Professional for Jaypee Infratech Ltd. v. Axis Bank Ltd. & Ors.*, (2020) 8 SCC 401.

(iv) **Absence of default:** Since there exists no agreed due date or repayment schedule, non-payment upon the issuance of an arbitrary demand notice cannot be termed "default" within the meaning of Section 3(12) of the Code, and in the absence of a crystallised obligation and a defined repayment timeline default cannot be inferred or presumed. Reliance has been placed upon *Park Energy Pvt. Ltd. v. Syndicate Bank & Ors.*, CA(AT)(Ins.) No. 270 of 2020.

(v) **Pendency of civil proceedings and abuse of process:** The present dispute is intrinsically linked with issues of partition, family settlement and the inter se rights of coparceners, which fall within the exclusive domain of the civil courts. The Applicant has himself instituted a civil suit for partition registered as **RCS-A/173/2025** before the Court of the learned District and Sessions Judge at Indore, inter alia seeking a declaration that the Respondent Company forms part of the alleged Hindu Undivided Family property. The Applicant cannot simultaneously assert proprietary rights over the Respondent Company as a constituent of Hindu Undivided Family property and at the same time seek to trigger insolvency against it as a defaulting corporate entity. Reliance has been placed upon

Transmission Corporation of Andhra Pradesh Ltd. v. Equipment Conductors and Cables Ltd., Civil Appeal No. 9597 of 2018 and *Neha Himatsingka & Anr. v. Himatsingka Resorts Pvt. Ltd. & Anr.*, CA(AT)(Ins.) No. 201 of 2018.

(vi) **Solvency of the Corporate Debtor:** The Respondent Company is a solvent and going concern which regularly services its liabilities. Reliance has been placed upon letters dated 05.02.2026 issued by Asahi India Glass Limited and 09.02.2026 issued by Gopal Glass Works Limited (Annexure R/3), and upon the Income Tax Return acknowledgements for the Assessment Years 2024-25 and 2025-26 (Annexure R/4), reflecting a total income of INR 1,78,26,840/- and INR 1,47,29,210/- respectively.

Rejoinder of the Financial Creditor

9. In its Rejoinder dated 22.06.2026, the Financial Creditor has denied the averments of the Corporate Debtor and has contended that the objection as to locus is misconceived and irrelevant to an adjudication under Section 7; that the plea of family arrangement is vague and unsupported by any document whatsoever; that the existence of a written financial contract is not mandatory and a financial debt may be established from books of account, balance sheets, acknowledgements and other contemporaneous records; that the Corporate Debtor cannot simultaneously admit receipt of the funds and deny the corresponding financial liability;

10. That the debt became payable upon issuance of the legal notice dated 14.05.2025 and default stood crystallised upon

the failure to honour the same and that the pendency of the civil suit, which pertains to partition and family rights, does not determine whether the Corporate Debtor received monies and failed to repay them

11. That the plea of solvency is irrelevant to an adjudication under Section 7. The Financial Creditor has specifically relied upon the acknowledgements appearing **at pages 62 and 96** of the Application and upon the admission contained in the reply dated 29.07.2025 appearing at **page 117** of the Application.

Written Submissions on behalf of the Financial Creditor

12. It has been submitted on behalf of the Financial Creditor that the Corporate Debtor has itself admitted and crystallised the debt. The financial assistance stands acknowledged in the audited financial statements of the Corporate Debtor, which also record partial repayments, and in its reply dated 29.07.2025 the Corporate Debtor admitted receipt of an unsecured loan of INR 2,85,20,929/-. Reliance has been placed on the acknowledgements appearing at pages 62 and 96 of the Application and at page 117 thereof, and it has been submitted that the admitted default, being above the threshold of INR 1 Crore, satisfies the requirement of Section 4 of the Code.

13. It has further been submitted that a formal written loan agreement is not a mandatory pre-condition for maintaining an application under Section 7, a financial debt being provable from banking transactions, financial statements

and written acknowledgements, and reliance has been placed on *Rahul H. Mehta v. Gajendra Investment Ltd.*, CA(AT)(Ins.) No. 739 of 2022. It has also been submitted that even an interest-free advance made for the working-capital needs of a company answers the description of a financial debt disbursed for the time value of money, reliance being placed on *Orator Marketing Pvt. Ltd. v. Samtex Desinz Pvt. Ltd.*, (2021) 8 SCC 413.

14. It has been submitted that the solvency of the Corporate Debtor is irrelevant to an enquiry under Section 7, which is confined to the existence of debt and default, and that the pendency of the civil suit, which concerns other inheritable properties, has no bearing on the repayment obligation; reliance has been placed on Explanation I to Section 7(5) and on *Catalyst Trusteeship Ltd. v. Ecstasy Realty Pvt. Ltd.*, Civil Appeal No. 7424 of 2025. It has further been submitted that the presence of a common member in the Applicant Hindu Undivided Family does not render the Applicant a related party within the meaning of Section 5(24), nor does the Code bar a related party from maintaining such an application, and that, the twin tests of debt and default standing established, the Application deserves to be admitted.

Written Submissions on behalf of the Corporate Debtor

15. It has been submitted on behalf of the Corporate Debtor that the Application is, in substance, a misuse of the insolvency process to pressurise the Respondent in a family and partition dispute, and that the Applicant has established

neither a financial debt under Section 5(8) nor a default under Section 3(12) of the Code. It has been submitted that M/s. Indore Glass House was the concern of Late Shri Chuhardas Kukreja, whose Will dated 15.01.2000 bequeathed the management of the business equally to both his sons, and that, the director-shareholders of the Corporate Debtor being themselves coparceners of the Hindu Undivided Family which the Applicant purports to represent, the transfers were inter se movements of funds within the family and not arm's-length commercial borrowing.

16. It has been submitted that the amounts transferred during the Financial Years 2020-21 to 2023-24 are sought to be retrospectively treated as a financial debt though there is no loan agreement, no stipulation as to interest and no repayment schedule, and that the claim of interest at 18% per annum compounded is an unsubstantiated afterthought devised only to import the element of the time value of money. It has been submitted that the burden of establishing default lies upon the Financial Creditor, and that mere bank transfers, without the commercial effect of borrowing, do not constitute a financial debt.

17. It has further been submitted that the present proceedings have been initiated only after the Applicant instituted his own suit for partition, being RCS-A/173/2025, wherein the Corporate Debtor is itself claimed to be Hindu Undivided Family property, and that the Applicant cannot at once assert the Corporate Debtor to be joint family property and treat it

in insolvency as a corporate debtor owing an independent commercial debt. It has been submitted that these are serious questions of a civil nature, requiring detailed accounting and evidence, which are unsuited to the summary jurisdiction under Section 7, and that the Application deserves to be dismissed with exemplary costs.

ANALYSIS AND FINDINGS:

18. We have heard the learned counsel appearing for both the parties and have carefully perused the Application, the Additional Affidavit, the Reply, the Rejoinder and the documents placed on record.

19. From the record, it is clear that the Applicant and Mr. Shriram Kukreja are the two sons of Late Shri Chuhardas. There is a dispute going on between the two branches of the family regarding the family business and the family properties. The Applicant has himself filed a civil suit for partition, being RCS-A/173/2025, before the Court of the learned District Judge, Indore. In his own Rejoinder, the Applicant has stated that the subject matter of the said suit "pertains to partition and family rights". Thus, by his own admission, there is a family dispute going on between the parties.

20. The money in question was transferred between the two branches of the family during the years 2020-21 to 2023-24. There is no written agreement between the parties. There is no document showing any rate of interest, any date of repayment or any promise to repay. What the record shows

is only a transfer of money from one side of the family to the other.

21. The Applicant states that the money was given as a loan carrying interest. This, however, is based only on an oral understanding, which is denied by the Corporate Debtor. Such an oral arrangement, which is disputed, cannot be gone into in a summary proceeding like the present one, where no evidence is led and no witnesses are examined.

22. The Applicant has relied on the fact that the amount appears in the balance sheet of the Corporate Debtor, and that the Corporate Debtor, in its reply dated 29.07.2025, admitted having received the amount. It is true that the receipt of the money is not in dispute. But the receipt of money is one thing, and the nature of that money is another. An entry in the balance sheet only shows that an amount was received. It does not, by itself, show that the amount was given for the time value of money, which is the real test of a financial debt under Section 5(8) of the Code. In the present case, where the parties are members of one family, where there is no written agreement, and where the money has only moved between two branches of the family, the entry reflects a transfer and nothing more.

23. The Applicant has contended that a written agreement is not necessary, and that a financial debt can be proved from banking transactions, the balance sheet and the books of account. As a general proposition, this may be accepted. But it applies where the amount was in the nature of a debt to

begin with, and only the written document was missing. It does not help the Applicant where the very nature of the transaction, namely, whether it was a loan at all or only a movement of money within the family, is itself in dispute. Such a dispute cannot be decided in a summary proceeding under Section 7 of the Code and has to be left to the civil court.

24. It is also relevant that the balance sheet does not show any interest as having been charged. The claim of interest is not supported by any written agreement between the parties. Further, the interest is not shown to have been charged from year to year in the ordinary course; rather, it appears to have been brought into the account by way of entries made at one point of time. Even the rate of interest is not consistent, inasmuch as the legal notice speaks of one rate while the petition speaks of another. In these circumstances, the claim of interest cannot be accepted, the learned counsel for the Applicant placed reliance on *Orator Marketing Pvt. Ltd. v. Samtex Desinz Pvt. Ltd.*, (2021) 8 SCC 413, *to contend that the absence of interest is of no consequence, an interest-free loan advanced for the working-capital needs of a company being a financial debt where it is disbursed for the time value of money.* Although the rate of interest is not, as per law, a sine qua non for a debt being treated as a financial debt, as was urged by the learned counsel for the Applicant, it is an ostensible and plausible evidence of the time value of money; and where the same is lacking, there must be some other evidence to show that the money was transferred for the time

value of money. It is on this touchstone that *Orator Marketing* is distinguishable, for there the disbursal of a term loan of a fixed and ascertained amount was admitted and its character as a loan was not in dispute, only interest being absent, whereas here the very character of the transfers as a loan is itself in dispute and there is nothing else on record to supply, in place of interest, the element of the time value of money. The material on record therefore does not establish that the money was given for the time value of money.

25. It was also argued on behalf of the Applicant that the pendency of the civil suit does not stop this Tribunal from admitting a petition under Section 7. That is correct in law; by virtue of Section 238 of the Code, its provisions have effect notwithstanding anything inconsistent contained in any other law for the time being in force, and the mere pendency of a civil suit does not, by itself, bar the initiation of proceedings under Section 7. The pendency of the civil suit is, however, relevant for a different purpose. The Respondent has pointed out that the Corporate Debtor itself forms part and parcel of the assets and property of the Hindu Undivided Family and has, on that footing, been included in the said suit for partition. The Applicant, having himself instituted the suit as Karta of the Hindu Undivided Family and having sought partition of the family business, has nowhere specifically denied that the Corporate Debtor forms part of the Hindu Undivided Family property, which only strengthens the contention of the Respondent that the transfer of money was in the nature of a family arrangement.

The civil suit is thus relevant to show that the true nature of the transaction, and the question whether the Corporate Debtor is family property, are seriously in dispute and are already under consideration before the civil court.

26. Taking all of the above together, we find that the Applicant has not been able to establish a financial debt within the meaning of Section 5(8) of the Code. Once there is no financial debt, there can be no default within the meaning of Section 3(12) of the Code, and the question of admitting the petition does not arise.

27. In any event, even the question of default is not free from difficulty. Admittedly, there was no agreed date on which the amount was to be repaid. On the Applicant's own case, the amount was payable on demand, and the demand was made for the first time by the legal notice dated 14.05.2025. The date of default has thus been arrived at only by counting fourteen days from the Applicant's own notice. Where there is no agreed date of repayment, and the alleged default arises only from a demand notice issued by the Applicant himself, it cannot be said, in the facts of the present case, that a clear default within the meaning of Section 3(12) of the Code has been established.

28. The real dispute between the parties is a family dispute regarding the business and the properties left behind by their father. Such a dispute is to be decided by the civil court, where evidence can be led. It is by now an established position of law that the Code is not meant merely for the recovery of money, nor can it be used as a tool to settle a family dispute. The

provisions of the Code are meant for genuine cases of insolvency where it has been clearly shown that there is a financial debt, that the amount of debt has crystallised and that there is a default in paying the financial debt back, and cannot be used as a means of putting pressure in a family dispute. We are, therefore, of the considered view that the present petition is not maintainable and is liable to dismissed.

29. Accordingly, the present petition, being **CP(IB)/61/MP/2025,** is hereby **dismissed** & **disposed of.**

Sd/-	Sd/-
MAN MOHAN GUPTA	**BRAJENDRA MANI TRIPATHI**
MEMBER (TECHNICAL)	**MEMBER (JUDICIAL)**

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